THE ALGOMA STEEL CORPORATION, LIMITED

503 QUEEN STREET EAST, SAULT STE. MARIE, ONTARIO

To the Shareholders:

Included in this booklet are the notice of the annual and general meeting of shareholders to be held on April 17, 1980, a form of proxy, and an information circular containing in some detail matters to be dealt with at the meeting, including Special Resolution No. 7, Special By-law 5 and By-law 4.

The interest of shareholders in the affairs of the Corporation is always encouraging. This interest has been reflected by the number of shareholders represented in person or by proxy at the annual meetings of shareholders in recent years. Your continued participation in this regard would be appreciated.

If you plan to attend the meeting it would be helpful if you would advise the Secretary in advance. Whether or not you plan to attend, we would appreciate your signing and returning the enclosed proxy form to assure that you are represented should something arise preventing you from attending the meeting.

John Macnamara
President and
Chief Executive Officer

Walter G. Ward
Chairman

THE ALGOMA STEEL CORPORATION, LIMITED

Notice of Annual and General Meeting of Shareholders

April 17, 1980

Sault Ste. Marie,
Ontario
March 20, 1980

To the Shareholders:

Please take notice that the annual and general meeting of shareholders of The Algoma Steel Corporation, Limited will be held at the Windsor Park Rodeway Inn in the City of Sault Ste. Marie, Ontario, Canada, on Thursday, April 17, 1980 at the hour of 2:15 o'clock in the afternoon. The purposes of the meeting are:

1. To receive and consider the annual report and the consolidated financial statements of the Corporation for the year ended December 31, 1979 and the auditor's report thereon.

2. To consider, and if thought advisable, to confirm with or without variation Special By-law 5 passed by the directors on March 5, 1980, relating to a change in the number of directors which requires confirmation by at least two-thirds of the votes cast at a general meeting of shareholders duly called for that purpose.

3. To elect directors.

4. To appoint the auditor and to authorize the board of directors to fix its remuneration.

5. To consider, and if thought advisable, to confirm with or without variation By-law 4 relating to the remuneration of directors, passed by the directors on January 30, 1980.

6. To consider, and if thought advisable, to confirm with or without variation Special Resolution No. 7 passed by the directors on January 30, 1980, being an authorization to amend the Corporation's Articles of Incorporation permitting the Corporation to set out its name in the French language and be legally designated by that name, which requires confirmation by at least two-thirds of the votes cast at a general meeting of shareholders duly called for that purpose.

Copies of the above mentioned By-law 4, Special By-law 5 and Special Resolution No. 7 are included in the information circular.

7. To transact such other business as may properly be brought before the meeting.

By Order of the Board of Directors
HENRY A. SMITH
Secretary

Note: If you cannot be present in person, please sign and return the enclosed proxy form in the stamped addressed envelope provided. By resolution of the board of directors, proxy forms to be used at this meeting must be deposited either with the Secretary of the Corporation or the Corporation's agent, Montreal Trust Company, not less than 48 hours preceding the time of the meeting — that is before 2:15 p.m., Tuesday, April 15, 1980.

INFORMATION CIRCULAR

The annual and general meeting of shareholders of The Algoma Steel Corporation, Limited will be held at the Windsor Park Rodeway Inn in Sault Ste. Marie at 2:15 p.m. Thursday, April 17th, 1980 for the purposes set out in the notice of meeting accompanying this circular.

The Annual Report for 1979 has been forwarded to you together with this circular. This circular gives information about voting and intended use of proxies at the meeting, the persons proposed to be nominated for election as directors, and other matters which will be of interest to shareholders.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On February 28, 1980 there were 11,691,128 common shares of the Corporation issued and outstanding and they are the only shares of the Corporation entitled to be voted at the meeting. Each common share registered in a shareholder's name on the date of the meeting entitles the holder thereof to one vote. Canadian Pacific Investments Limited, of Montreal, Quebec, (a subsidiary of Canadian Pacific Limited), owned directly or indirectly, on February 28, 1980, 6,505,610 common shares representing approximately 55.65% of the common shares outstanding.

PROXIES AND VOTING

Shareholders unable to attend the annual and general meeting are requested by management to complete and return the accompanying proxy form. These proxy forms are solicited by the management of the Corporation at Corporation expense and primarily by mail, though occasionally individual proxies may be solicited by telephone by regular Corporation employees. It is considered desirable that shareholders unable to attend personally be represented by proxy.

By resolution of the board of directors, all forms of proxy for use at the meeting must be deposited either with the Secretary of the Corporation or the Corporation's agent, Montreal Trust Company, at least forty-eight hours in advance, that is by 2:15 p.m. Tuesday, April 15, 1980.

The persons named in the enclosed form of proxy will vote for or against

(a) confirmation of By-law 4
(b) confirmation of Special By-law 5
(c) confirmation of Special Resolution No. 7

in each case as directed by the shareholder completing the enclosed form of proxy, subject to Section 121 of the Business Corporations Act (R.S.O. 1970 c. 53 as amended) and failing such direction in any of the three cases will vote for approval or confirmation thereof.

Those named in the enclosed form of proxy will vote for the election of directors and the appointment of the auditor and authorization of the board of directors to fix the auditor's remuneration as indicated below.

The enclosed form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting. At the time of printing this circular the management of the Corporation is not aware that any such amendments, variations or other matters are to be presented for action at the meeting.

If you would prefer to appoint someone other than the persons named on the enclosed proxy form, simply strike out the printed names and print the name of your appointee in the space provided. To be valid, however, the proxy form must be deposited forty-eight hours before the meeting.

A completed proxy form once deposited may be revoked at any time by written notice (under seal for a corporation) deposited with the Secretary of the Corporation or with the chairman of the meeting, or by any other means provided by law.

CONFIRMATION OF SPECIAL BY-LAW 5

On March 5, 1980 the directors passed Special By-law 5 amending the by-laws for the Corporation to change the number of directors from 14 to 12. A copy of Special By-law 5 is set out below and will be presented to the meeting for confirmation.

SPECIAL BY-LAW 5

A by-law respecting a change in the number of directors requiring confirmation by at least two-thirds of the votes cast at a general meeting of shareholders duly called for that purpose of

THE ALGOMA STEEL CORPORATION, LIMITED

BE IT ENACTED as a special by-law of THE ALGOMA STEEL CORPORATION, LIMITED (hereinafter referred to as the "Corporation") as follows:

SECTION ONE

POWERS AND NUMBERS OF DIRECTORS

1.01 The board shall manage or supervise the management of the affairs and business of the Corporation. Until changed by special by-law, the number of the directors of the Corporation shall be twelve, of whom at least two shall not be officers or employees of the Corporation or of any affiliate of the Corporation and of whom six shall constitute a quorum for the transaction of business at any meeting of the directors. Notwithstanding vacancies, the remaining directors may exercise all the powers of the board so long as a quorum of the board remains in office. At least 80 percent of the directors of the Corporation shall be resident Canadians.

SECTION TWO

MISCELLANEOUS PROVISIONS

2.01 Words and terms which are defined in By-law 1 of the Corporation including words and terms defined therein shall have the same meanings when used in this Special By-law 5.

SECTION THREE

REPEAL AND COMING INTO FORCE

3.01 Section 3.01 of By-law 1 of the Corporation is repealed effective upon confirmation of this Special By-law 5 by the shareholders in accordance with the Act. No resolution passed or action taken pursuant to the aforesaid Section 3.01 of By-law 1 prior to the date on which this Special By-law 5 comes into force shall be affected in any way by such repeal.

PASSED by the board on the 5th day of March, 1980.

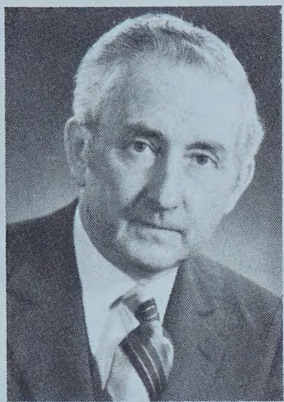
WALTER G. WARD
Chairman

HENRY A. SMITH
Secretary and General Counsel

ELECTION OF DIRECTORS

The board will consist of twelve directors elected annually to hold office until the next annual meeting of shareholders. It is proposed that the following will be nominated at the meeting. Messrs. Russell S. Allison, Ian A. Gray and Robert J. Theis are being nominated for the first time. If for some reason any of the proposed nominees are unable to serve, the persons named on the proxy will use their best judgment in voting on alternate nominees. Those directors proposed for election who are present incumbents of the executive and/or audit committees are identified below.

The information below as to securities beneficially owned has been provided by the respective directors as of February 28, 1980.



RUSSELL S. ALLISON

Vice-President, Eastern Region, Canadian Pacific Limited, (a transportation, natural resource development and manufacturing company). Mr. Allison, a resident of Willowdale, Ontario, has held this position with Canadian Pacific Limited since 1974. He is a director of Canadian Pacific Hotels Limited, Midland Simcoe Elevator Company Limited, Toronto Terminals Railway Company and Toronto, Hamilton & Buffalo Railway Company.

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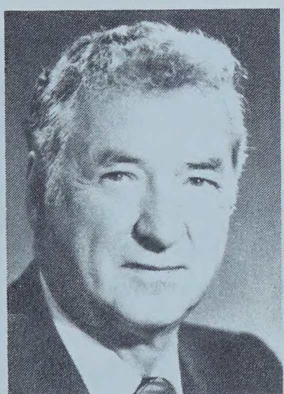

ROBERT D. ARMSTRONG

Chairman and Chief Executive Officer, Rio Algom Limited. Mr. Armstrong, a resident of Toronto, became a director of the Corporation on April 15, 1976. He is a member of the Audit and Executive Committees. He is also a director of Lornex Mining Corporation Ltd., Preston Mines Limited, Rio Tinto-Zinc Corporation Ltd., Canada Permanent Mortgage Corporation, Marathon Realty Company Limited and other companies.

200

IAN A. GRAY

President and Chief Executive Officer, Canadian Pacific Air Lines, Limited. Mr. Gray, a resident of North Vancouver, British Columbia, has held this position with Canadian Pacific Air Lines, Limited since 1976 prior to which he held a number of senior positions with the same company. He is a director of Canadian Pacific Air Lines, Limited and IBM Canada Ltd. He is a Fellow of the Canadian Aeronautics and Space Institute, a member of the American Institute of Aeronautics and Astronautics, a member of the Association of Professional Engineers of British Columbia and a fellow and past president of the Engineering Institute of Canada.

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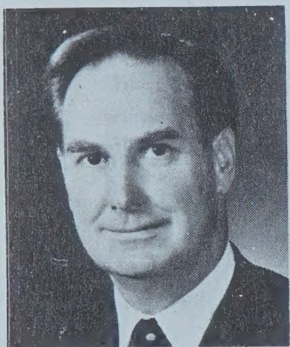
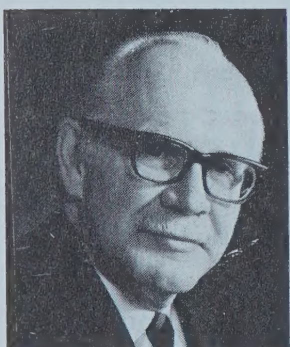
Common Shares of the capital stock of the Corporation beneficially owned directly or indirectly



JOHN MACNAMARA

President and Chief Executive Officer, The Algoma Steel Corporation, Limited. Dr. Macnamara was elected President of the Corporation on January 6, 1976, and was designated Chief Executive Officer on November 1, 1976. He was appointed a director of the Corporation on December 3, 1975 and is a member of the Executive Committee. Dr. Macnamara is a resident of Sault Ste. Marie and is a director of Dominion Bridge Company, Limited and Canadian Pacific Investments Limited. 5,000



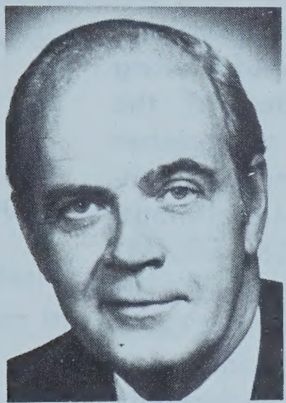
W. EARLE McLAUGHLIN

Chairman, The Royal Bank of Canada, (chartered bank). Mr. McLaughlin, a resident of Westmount, Quebec, joined the board of directors of the Corporation April 18, 1962. He is also a director of General Motors Corporation, Power Corporation of Canada, Standard Brands Inc., Canadian Pacific Limited, Metropolitan Life Insurance Co., Allied Chemical Canada Limited, and other well known companies. 200

COL. MAXWELL C. G. MEIGHEN, O.B.E.

Chairman, Canadian General Investments, Limited, (investments). Col. Meighen was first elected to the board of directors of the Corporation April 18, 1963. He is a member of the Executive Committee. Col. Meighen, a resident of Toronto, is also a director of Canada Trustco Mortgage Company. 200

Common Shares of the capital stock of the Corporation benefically owned directly or indirectly



ARTHUR H. MINGAY

Chairman, The Canada Trust Company. A resident of Toronto, Mr. Mingay was elected a director of the Corporation on April 19, 1978. He is a member of the Audit Committee. He is also a director of Canada Trustco Mortgage Company, The Canada Trust Company, The Mutual Life Assurance Company of Canada, Royal Insurance Company of Canada, Simpsons-Sears Limited, Simpsons-Sears Acceptance Corporation and T. I. Industries Limited.

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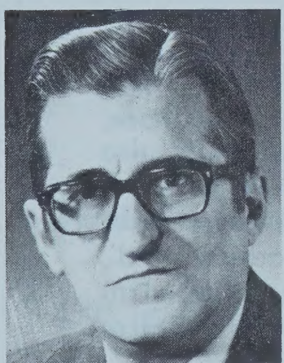

PAUL A. NEPVEU

Vice-Chairman, Canadian Pacific Investments Limited, (a natural resource development and manufacturing company). Mr. Nepveu became a director of the Corporation on November 6, 1973 and is a member of the Executive Committee. A resident of Montreal, Mr. Nepveu is a director of Canadian Pacific Investments Limited, Cominco Ltd., Great Lakes Forest Products Limited, PanCanadian Petroleum Limited and other companies.

100

LEONARD N. SAVOIE

President and Chief Executive Officer, Algoma Central Railway, (rail, truck and lake vessel transportation and real estate). Mr. Savoie became a director of the Corporation on March 2, 1971. He is also a director of Algocen Realty Holdings Limited, All Canadian-American Investments Limited, Thibodeau-Finch Express Limited, Newaygo Forest Products Limited, Viking Helicopters Limited, E-L Financial Corporation Ltd. and The Empire Life Insurance Company. He is a resident of Sault Ste. Marie.

1,293

Common Shares of the capital stock of the Corporation beneficially owned directly or indirectly

W. JOHN STENASON

President, Canadian Pacific Investments Limited, (a natural resource development and manufacturing company). Mr. Stenason became a director of the Corporation on December 5, 1973 and is a member of the Executive Committee. He is a resident of Montreal and is a director of Canadian Pacific Investments Limited, Canadian Pacific Hotels Limited, Cominco Ltd., Dominion Bridge Company, Limited, Fording Coal Ltd., Great Lakes Forest Products Limited, Canada Trust Company, AMCA International Corp., PanCanadian Petroleum Limited, Steep Rock Iron Mines Limited, Mutual Life and other companies.

1,000

ROBERT J. THEIS

President, Canellus Incorporated, (management company). Mr. Theis, a resident of Fayetteville, New York, U.S.A., is a director of Canellus Incorporated. He is also a director and Chairman of Syracuse China Corporation, a position he has held since 1971. He is a director of Baker Commodities, Inc., CanPac Agri-Products, Ltd., Community General Hospital, Corenco Corporation, Lincoln First Bank, Manufacturers Association of Central New York and Processed Minerals, Inc.

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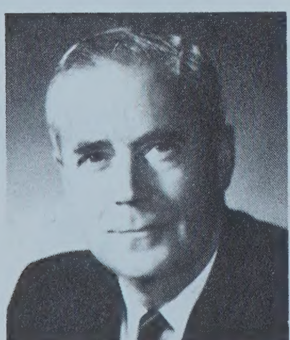

WALTER G. WARD

Chairman, The Algoma Steel Corporation, Limited. Mr. Ward became a director of The Algoma Steel Corporation, Limited July 1, 1977, Chairman on August 1, 1977 and is a member of the Executive Committee. He is also a director of Canadian Imperial Bank of Commerce, Canadair Limited, Canada Packers Ltd., Canadian General Electric Company Limited, Dominion Bridge Company, Limited, Kawartha Broadcasting Company Limited and a number of other companies and associations.

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CONFIRMATION OF BY-LAW 4

On January 30, 1980 the directors passed By-law 4 amending the by-laws for the Corporation with respect to the remuneration of directors. A copy of By-law 4 is set out below and will be presented to the meeting for confirmation.

BY-LAW 4

A by-law relating to the remuneration of directors requiring confirmation of the shareholders at an annual meeting or a general meeting of the shareholders duly called for that purpose of

THE ALGOMA STEEL CORPORATION, LIMITED

BE IT ENACTED as a by-law of THE ALGOMA STEEL CORPORATION, LIMITED (hereinafter referred to as the "Corporation") as follows:

SECTION ONE

REMUNERATION OF DIRECTORS

1.01 (a) Each director of the Corporation shall be paid for his services as director $5,000 per annum and any director who is a member of the Executive Committee of the board shall be paid an additional $2,500 per annum. In addition, any director who is chairman of the Audit Committee shall be paid $1,000 per annum and each director shall be paid $300 for each meeting of the board or any committee thereof attended by him during his term of office. The directors shall be reimbursed for their out-of-pocket expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by them of their duties.

(b) Any director serving the Corporation in any capacity other than as a director shall be entitled to receive remuneration therefor.

SECTION TWO

MISCELLANEOUS PROVISIONS

2.01 Words and terms which are defined in By-law 1 of the Corporation including words and terms defined therein shall have the same meanings when used in this By-law 4.

SECTION THREE

REPEAL AND COMING INTO FORCE

3.01 Section 3.17 of By-law 1 of the Corporation is repealed effective upon confirmation of this By-law 4 by the shareholders in accordance with the Act. No resolution passed or action taken pursuant to the aforesaid Section 3.17 of By-law 1 prior to the date on which this By-law 4 comes into force shall be affected in any way by such repeal.

PASSED by the board on the 30th day of January, 1980.

WALTER G. WARD Chairman	**HENRY A. SMITH** Secretary and General Counsel

CONFIRMATION OF SPECIAL RESOLUTION NO. 7

The Business Corporations Act of Ontario provides that a corporation may have its articles of incorporation amended by a special provision permitting it to set out its name in any language and the corporation may be legally designated by that name.

Under Bill 101 (Charter of The French Language) the Province of Quebec has made it mandatory for corporations operating in that province to adopt a French name by December 31, 1980. A copy of Special Resolution No. 7 which requires confirmation by at least two-thirds of the votes cast at a general meeting of shareholders duly called for that purpose, is set out below.

Special Resolution No. 7 passed by the directors, January 30, 1980:

RESOLVED as Special Resolution No. 7 of The Algoma Steel Corporation, Limited that:

1. The Corporation amend its Articles of Incorporation permitting it to set out its name in the French language as "Aciers Algoma Limitée" and the Corporation may be legally designated by that name.

2. The Directors and Officers of the Corporation be and they are hereby authorized and directed to do, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

Special Resolution No. 7 will be presented to the meeting for confirmation.

APPOINTMENT OF THE AUDITOR

Peat, Marwick, Mitchell & Co. has been auditor of the Corporation since 1950. Proxy forms given pursuant to this solicitation will be voted for its appointment at a remuneration to be fixed by the board of directors.

DIRECTORS AND OFFICERS REMUNERATION

FROM THE CORPORATION AND ITS SUBSIDIARIES

	Remuneration for the Year Ended December 31, 1979			Future Years
	Aggregate Remuneration*	Cost of Pension Benefits	Retirement Benefits Paid	Retirement Benefits
(I) Directors (15):				
(A) From parent and wholly-owned subsidiaries:	$ 109,550	NIL	NIL	NIL
(B) From partially-owned subsidiaries:	NIL	NIL	NIL	NIL
TOTAL	$ 109,550	NIL	NIL	NIL
(II) Five Senior Officers:				
(A) From parent and wholly-owned subsidiaries:	$ 878,982	$104,823	NIL	$ 631,662**
(B) From partially-owned subsidiaries:	NIL	NIL	NIL	NIL
TOTAL	$ 878,982	$104,823	NIL	$ 631,662**
(III) Officers Receiving Over $50,000 (Includes (II)):				
(A) From parent and wholly-owned subsidiaries:	$ 2,011,513	$308,964	$217,457	$1,345,034**
(B) From partially-owned subsidiaries:	NIL	NIL	NIL	NIL
TOTAL	$ 2,011,513	$308,964	$217,457	$1,345,034**

* excluding retirement benefits paid.

** accrued as at December 31, 1979 in respect of the Corporation's Extra Compensation Plan which may become payable in the future on the retirement or termination of employment (other than for cause) or death during employment of certain officers of the Corporation.

Since January 1, 1979 certain senior officers of the Corporation have purchased common shares of the Corporation as hereinafter set out at the option price of $15.19 a share pursuant to stock options previously granted to them.

Date of Purchase	Number of Shares Purchased	Price range of shares on the Toronto Stock Exchange during the preceding 30 day period	
January 4, 1979	900	High	27 7/8
		Low	24 3/4
January 15, 1979	2,000	High	27 7/8
		Low	26
February 28, 1979	10,000	High	29 1/4
		Low	27 1/2
March 9, 1979	1,500	High	29 1/4
		Low	27
March 13, 1979	2,000	High	28 5/8
		Low	26 3/4

Sault Ste. Marie, Ontario
February 28, 1980

ALGOMA STEEL

THE ALGOMA STEEL CORPORATION, LIMITED

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS and INFORMATION CIRCULAR

TIME: 2:15 p.m. Eastern Standard Time, THURSDAY, April 17, 1980

PLACE: Windsor Park Rodeway Inn, Sault Ste. Marie, Ontario

ALGOMA STEEL

Address
Presented at the
Annual Meeting of Shareholders
of
The Algoma Steel Corporation, Limited

April 17, 1980

by

John Macnamara

President and Chief Executive Officer

THE ALGOMA STEEL CORPORATION, LIMITED

ANNUAL MEETING ADDRESS

Last year when I addressed the Annual Meeting of Shareholders, I did so with the strong conviction that 1979 would be a good year for Algoma. It was better than I expected and I know of no other integrated steel company that matched Algoma's 13 per cent return on total invested capital in 1979. However, at today's high interest rates and escalating cost of installing new facilities, this rate of return not only must be sustained over a period of years but must be improved if Algoma is to continue to modernize and expand.

Thanks to steady market demand and operating efficiencies throughout the year, record tonnages of Algoma's major products were produced and sold at prices high enough to offset inflationary increases in operating costs. Most of our steelmaking units worked at capacity, and performance in the West Virginia coal mining operations improved considerably. For the second successive year cash generation was sufficient to meet requirements for capital expenditures, dividends and increased working capital.

Steel consumption increased in many parts of the World last year, notably Germany, Italy, Yugoslavia, Canada, Brazil, South Africa, Japan, India and Australia, and once again the Canadian steel industry fared better than its competitors. However, as a general observation, the World steel industry continues to be confronted with excess capacity, inadequate return on invested capital, plant closures and increased debt. Today's effective steel capacity is expected to satisfy consumption until at least the mid-1980's.

Last year apparent steel consumption in the non communist countries increased to 537 million net tons but current projections indicate a reduction to 526 million net tons in 1980. World consumption is expected to decline from 826 million net tons to 818 million in 1980. Only in the developing countries is there any measure of new capacity under construction, and even there, investment in new steel plants has not proceeded as rapidly as was imagined a few years ago.

Approximately 25 per cent of World steel consumption is supplied through international trade, but despite an apparent desire for greater free trade, protectionism is growing among steel trading countries. Japan is the World's largest steel exporting country, yet imports only a token quantity of steel. In the European Economic Community, the United States and Canada, various mechanisms have been set up to minimize steel imports at dumped prices. Concurrent with this action, effective steel capacity has declined in the United States, the United Kingdom, France and Germany and should this trend continue the communist and developing countries will extend government control over the World steel industry.

Inflationary costs of borrowed funds, labour, raw materials, and energy will dictate higher steel selling price increases than previously experienced if steel companies are to realize a satisfactory return on past and future investment. Under present constraints of high interest rates and low cash flow, new capital will be allocated to only those steel related projects which increase operating margins through improved productivity, reduced energy consumption, and higher yields or which will improve product quality or the working environment.

In other words, capital will be directed to replacement and modernization rather than to new capacity.

When considered in isolation, the capital cost of a new greenfield steel plant cannot be justified at today's steel selling prices. Unfortunately, until present excess steelmaking capacity is more fully utilized, competitive market forces will probably prevent the selling price increases required to generate sufficient cash flow to embark on such modernization and expansion programs.

Should this pattern persist through the early 1980's I believe steel will be in short supply before the end of this decade.

Last year steel production and consumption in the United States were far short of the record tonnages established in 1973 and are forecast to be lower this year than last. The story of the decline of the United States steel industry over the past 20 years and the action

necessary to rejuvenate it is described in a recent publication by the American Iron and Steel Institute entitled "Steel at the Crossroads: The American Steel Industry in the 1980's."

This is a petition to the United States government seeking legislation which will enable the U.S. steel industry to achieve competitive rates of return, through accelerated capital recovery, modified environmental regulatory programs and reduced steel imports which, at dumped prices, are disrupting the domestic market. Inherent in this revitalization program is the need for higher steel prices uninhibited by government restraint and three times the cash flow of recent years in order to sustain capital investment totalling some 7 billion dollars annually for new, more productive facilities. Effective steelmaking capacity in the United States is lower today than it was in 1973 and could decline further unless new facilities are forthcoming.

By comparison Canada's effective steel capacity has increased approximately one third since 1973. Federal and Provincial Governments have recognized the importance of a strong domestic steel industry and Canadian tax treatment of steel companies has been fair and equitable. The Federal Government has also established a monitoring system to prevent steel imports being brought into Canada at dumped prices. These actions have assisted Canadian steel companies in their modernization and expansion programs. Continuation of existing tax legislation and current assessing practices will be vital to the Canadian steel industry if it is to maintain its leadership position through the 1980's.

Canada has an effective annual raw steel capacity of approximately 18 million net tons. In 1979 total raw steel production in Canada rose to a record 17.5 million net tons, three quarters of which came from Ontario's three major integrated mills whose earnings performance continues to be the envy of the steel community. Raw steel production in 1980 is expected to be approximately the same as last year.

Considering the problems and uncertainties confronting many of the World's large

integrated steel mills, Algoma's 1979 performance is clear evidence that the 630 million dollars spent on new facilities during the past decade was invested wisely. Algoma would not be a viable operation today if new facilities employing the most modern technology had not been built at the time they were. Although our long term debt has increased, debt ratios are within acceptable limits.

I assume you have received and reviewed our 1979 Annual Report which details improvements in production, sales and financial results that speak for themselves. Last year was a record year in every respect and I would be remiss if I did not recognize the ingenuity and effort displayed by those employees who contributed so much toward last year's results. On behalf of the Directors, the Shareholders and myself, may I take this opportunity to thank them for their contribution and to encourage them in their responsibilities and endeavors in 1980.

I trust our shareholders, our employees, our customers, our suppliers, the investment analysts and members of the financial community are encouraged by the progress we have made over the past three years. Great emphasis has been placed on the careful allocation of the Company's available financial resources to raw materials, new plants and modern equipment. We are continuing to strengthen our management team in order to further improve operating efficiencies and we are working diligently toward safer, healthier, more productivity working environments which will continue to foster better relations among all employees.

Algoma's raw steel production increased at an annual compounded rate of 3.5 per cent during the 1970's, and with moderate capital expenditures, existing cokemaking, ironmaking, steelmaking, continuous casting and primary rolling facilities are capable of processing 4.0 to 4.25 million net tons of raw steel annually. We should realize this tonnage by 1985 assuming Algoma's market share continues to be about 20 per cent of the domestic steel consumption and consumption grows at an annual rate of about 3.5 per cent. I believe this is the maximum growth rate we

can expect to achieve since it is twice the rate projected for the Western World during this period and prospects for a more rapid increase in consumption are not encouraging.

To go beyond 4.25 million tons of raw steel will require substantial capital expenditures for new steelmaking and continuous casting facilities. Twenty-five per cent of Algoma's raw steel is now being continuously cast and I expect this rate will approach 30 per cent by year end. The virtues of continuous casting are well documented and our aim is to cast all additional raw steel production beyond 3.5 million tons. Existing continuous casting equipment has an annual capacity of 1.5 million tons of slabs, blooms, and beam blanks and alternatives are under study to determine how additional bloom and round casting can be adapted to either one or both of our two basic oxygen steelmaking plants.

The solution to greater raw steel tonnage and product rationalization would be easy if capital was not the principal restraining factor. We do not have access to the bank financing system available to the Japanese steel industry nor to the government assistance responsible for the expanding steel industries in the communist and developing countries. Under our free enterprise system, the majority of the capital required for modernization and expansion must come from within and as a result capital will be allocated to only those facilities which can ensure an adequate rate of return.

Algoma's product mix will not change appreciably during the 1980's. We will build upon our strengths and capital investment will be concentrated on those products in which we now have significant market share and which we believe will provide favourable profit margins in the future.

Rather than attempting to describe these products, I would like you to watch a short film which is currently being shown to customers in major centres across Canada and selected cities in the geographic areas that we serve in the United States.

FILM

This film illustrates the principal rolled steel products including plate, hot rolled sheet, heavy structural sections, rails and seamless tubes to which Algoma will dedicate major capital expenditures. During the 1980's we will have to spend hundreds of millions of dollars to solidify our position as a supplier to the North American consumer, construction, transportation, agriculture and energy based industries. We will also be assessing acquisition opportunities which will permit forward integration into higher margin products.

Algoma has the only seamless tube mill in Canada capable of supplying a range of oil country tubular goods from 4½ to 12¾ inches in diameter. In this size range, our mill is as modern as any on this continent and Algoma tubulars are recognized for their superior quality in areas where deep wells and sour gas atmosphere are prevalent. As the demand for seamless tubulars continues to outpace North American production capacity, imports, principally from Japan, will take up the slack.

In this regard the Board of Directors this morning, authorized management to proceed with detailed engineering studies and cost estimates of a new seamless tube mill to be built in Sault Ste. Marie. This mill would produce seamless tubing, drill pipe and casing in a size range from 1.9 to 7 inches in diameter for application in the oil and gas well drilling programs in North America. Initial capacity would be 200,000 tons per year and would be capable of expansion to 300,000 tons. If estimates confirm the feasibility of this project, a final decision to proceed would be made later this year. If construction commenced early in 1981, production would begin in late 1983.

I would like to conclude my remarks with a review of the first quarter results compared with the same period last year and comment on the outlook for the balance of the year.

Sales increased $45 million to $290 million.

Raw steel production declined by 59, 000 tons to 828,000 tons due to a blast furnace reline which reduced iron production from February 22 until April 7. Steel shipments increased by 29,000 tons to 667,000

tons as a result of inventory reduction and processing purchased ingots.

Lower production and inflationary cost increases including higher cost purchased ingots were offset by improved product mix, increased utilization of a greater proportion of continuously cast slabs and higher selling prices. As a result, pre-tax earnings were $24.2 million this year compared with $22.2 million last year.

Net earnings will approximate $22.0 million compared with $20.2 million a year ago. After providing for preference share dividends, net earnings per common share should approximate $1.60 compared with $1.51 in the first quarter last year. Actual results will be released when equity earnings in Dominion Bridge are known.

Current backlog of orders is slightly lower than at the same time last year and third and fourth quarter orders for flat rolled products could be below our operating capabilities. We will take advantage of any downturn in business activity to complete a blast furnace reline scheduled for later this year and to build inventory for another blast furnace to be relined in 1981.

The possible deferment of major energy related projects, a continuing decline in the automotive industry, lower housing starts, inventory accumulation and high interest rates, all contribute to our concerns of slackening demand in the second half of the year albeit not as severe as the 1975/1976 recession.

I view the balance of the year with some uncertainty, but with far greater confidence than I had in 1975. Since that time we have commissioned major new facilities associated with our raw material and steelmaking operations which have contributed to significantly higher volume, operating efficiencies and productivity improvements.

While I believe we are approaching a cyclical decline in steel demand for a short duration, Algoma is well positioned to sustain earnings at a reasonable level considering its broad exposure to capital spending, transportation and energy related sectors which are expected to remain relatively strong throughout the year.